

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: August 27, 2008
Request for Reinstatement of Initial Resolution

Prepared by: *Doreen Smith*

Applicant: Evergreen Oil , Inc. and/or its Affiliates	Amount Requested: \$22,990,000
Project	Application No.: 00768 (SB)
Location: Newark (Alameda County)	Initial Resolution No.: 05-03
	Previous Actions: IR 05-03 Approved 04/26/05 FR 453 Approved 04/25/06

Summary: Evergreen Oil, Inc. and/or its Affiliates (the “Company”) requests approval of reinstatement to Initial Resolution No. 05-03. The IR was approved on April 26, 2005 for an amount not to exceed \$22,990,000 to finance site preparation and improvements, new equipment, and related costs for the expansion of an existing hazardous waste processing facility (principally a used oil re-refinery) located in Newark. A Final Resolution was approved on April 25, 2006 and bonds were issued in the amount of \$8,450,000 on June 22, 2006. The Company now requests reinstatement of the IR in order to allow financing of additional costs and building improvements at the Newark site.

Borrower: The Company was incorporated in California in December 1983. The Company operates a hazardous waste disposal facility combined with collection and local hauling.

Evergreen Oil, inc. is owned 100% by Evergreen Environmental holdings, Inc., a Nevada corporation, which in turn is owned by Evergreen holdings, Inc., a Delaware corporation which is 100% owned by the following:

Kinetics Holding MV.....	49.554%
Joanne & Jacob Voogd CRAT.....	48.563%
Harold Brown 2002 Trust.....	00.991%
Harold Brown.....	00.545%
William K. Reilly.....	00.347%
Total:	100.000%

Kinetics Holdings, NV, a Netherland Antilles corporation, is owned by the following five individuals (20% each):

Mr. W. van Weenen	Mr. D.G. Kalverkamp	Mr. W. Habes
Mr. G. Dubbeldeman	Ms. L. Erkelens	

Legal Questionnaire: Staff has reviewed the Company’s responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raises questions concerning the financial viability or legal integrity of this applicant.

Agenda Item 4.C.1.

Prior Actions and Financings: Initial Resolution No. 05-03 was approved on April 26, 2005 for an amount not to exceed \$22,990,000 to finance an expansion at the Company’s Newark location. Final Resolution No. 453 was approved on April 25, 2006 for an amount not to exceed \$8,450,000 and bonds were subsequently issued for that amount on June 22, 2006.

Prior financings are listed below.

Description	Date of Bond Issue	Original Amount	Amount Outstanding as of 07/25/08
Evergreen Oil, Inc. Series 1984	11/30/84	\$9,700,000	\$ 0
Evergreen Oil, Inc. Series 2006	06/23/06	<u>\$8,450,000</u>	<u>\$6,035,000</u>
TOTALS:		<u>\$18,150,000</u>	<u>\$6,035,000</u>

Project Description: Evergreen Oil, Inc. is a collector and processor of hazardous waste substances which, if left untreated, cannot be disposed of in most conventional landfills. The Company collects from more than 6,500 customers in the Metropolitan Bay Area and receives from others, used oil, used oil filters, oily waste water, waste antifreeze and the remnants of sumps and clarifiers. The Company recycles approximately 75% of the incoming volume by re-refining the contaminated oil. The solids are then transported to offsite landfills for ultimate disposal. The re-refined product is then sold for automotive and lube applications. Part of the process includes the aggregation, treatment and transportation to disposal sites of solid wastes which are contained within the processed substances.

The expansion project will include the addition of various storage tanks to an existing tank farm, rail car loading stations, a wastewater treatment plant, drum storage and consolidation pads, lab upgrades, bobtail tanks, a loading/unloading area with a drum pumping system, and oily storm/wash water collection systems. It is expected that the project will involve the construction of foundations upon which much of the equipment will be based. Associated technical equipment includes heaters, separators, compressors, pumps, filters, piping, fittings, insulation, a vacuum system, and related instrumentation.

Estimated costs associated with the project are:

System Components (equipment).....	\$17,314,711
Site Preparation and Improvements	\$989,950
Engineering/Technical Services.....	\$702,012
Permits and Pre-development Cost.....	\$2,000,000
Cost of Issuance	\$465,645
Letter of Credit Fees	\$517,682
Contingencies.....	\$1,000,000
Total:	<u>\$22,990,000</u>

Anticipated Timeline: Construction and renovation is ongoing with a scheduled completion date of December 2008.

Pollution Control and/or Environmental Benefits: The Company represents the Project will generate the pollution control and environmental benefits described below.

Waste Diversion. The project is not a waste diversion project in the traditional sense as it receives and treats waste which, for the most part, cannot otherwise be disposed of in its untreated condition. The State of California has defined waste oil, waste water which is high in metals and organics, waste solvents, polychlorinated biphenyls (PCBs), and waste antifreeze as hazardous; and will not allow it to be disposed of in any landfills. Therefore, it must be treated and either used as a fuel source or more productively recycled as an automotive or industrial lube product.

Air Quality. The Company's re-refined oil product is recycled as automobile or industrial lube product rather than used with minimal processing as a fuel oil in industrial applications such as cement kilns. Thus, air pollution which is created by the use of contaminated spent oils as a fuel source for industry is avoided by the productive use of the recycled product.

The acquisition and expansion of the Carson Facility is expected to increase the volume of used oil collected in Southern California. This used oil will be re-refined at the Company's Newark facility and, as a result, will increase the State's reuse of this waste material. Much of the waste material anticipated to be collected and re-refined is currently being transported to and burned out of the state. This project will meet and exceed the state's sustainable and green programs.

Energy Efficiency. The re-refining process uses much less energy than the refining of virgin crude oil, the only alternative if recycling does not occur.

Recycling of Commodities. Approximately 75% of the material received by the applicant is recycled for use in automotive and industrial lubricating applications.

Disposal. The Company is in compliance with all applicable state and federal environmental regulations regarding the safe disposal of solid wastes.

Permits: The Company has provided the Authority with copies of all required discretionary permits for the project.

CDLAC Allocation: The Company anticipates applying to the Authority for CDLAC allocation in late 2008.

Financing Details: The Company anticipates issuance of negotiated tax-exempt, weekly reset, variable rate bonds with a term not to exceed 30 years for the qualifying portion of the project. The Company plans to secure the bonds with an irrevocable, direct pay Letter of Credit that is rated at least "A-" by Fitch Rating Agency or equivalent. The target date for financing is February 2009.

Financing Team:

Underwriter: Westhoff, Cone & Holmstedt
Bond Counsel: Orrick Herrington & Sutcliffe
Financial Advisor: Andrew S. Rose
Issuer's Counsel: Office of the Attorney General

Staff Recommendation: Staff recommends approval of the Reinstatement to Initial Resolution No. 05-03 for Evergreen Oil, Inc. and/or its Affiliates for an amount not to exceed \$22,990,000.

Note: An Initial Resolution approval is not a commitment that the Board will approve a Final Resolution and bond financing of the proposed Project.

Initial Resolution No. 05-03
Application No. 768 (SB)

**REINSTATEMENT OF RESOLUTION OF
OFFICIAL INTENT TO ISSUE BONDS TO
FINANCE SOLID WASTE DISPOSAL FACILITIES FOR
EVERGREEN OIL, INC. AND/OR ITS AFFILIATES**

August 27, 2008

WHEREAS, the California Pollution Control Financing Authority (“Authority”), a public instrumentality, is authorized and empowered by the provisions of the California Pollution Control Financing Authority Act (“Act”) to issue bonds for the purpose of defraying the cost of facilities for the disposal of solid and liquid waste products, including resource recovery and energy conversion facilities; and

WHEREAS, at the request of Evergreen Oil, Inc., a California corporation, and/or its Affiliates (the “Company”) the Authority adopted its Initial Resolution No. 05-03 on April 26, 2005 (the “Initial Resolution”) in the amount of not to exceed \$22,990,000 to assist in financing solid waste and hazardous waste processing and disposal facilities described as the “Project” in the Initial Resolution; and

WHEREAS, on June 23, 2006, the Authority issued \$8,450,000 of its Revenue Bonds, Series 2006, to finance a portion of the Project (the “2006 Bonds”), resulting in a remaining induced amount under the Initial Resolution not to exceed \$14,540,000; and

WHEREAS, the Company has submitted an amendment to its application to the Authority and has requested the Authority to reinstate the Initial Resolution;

NOW, THEREFORE, BE IT RESOLVED by the California Pollution Control Financing Authority as follows:

Section 1. The Authority finds and determines that the foregoing recitals are true and correct. For purposes of this Resolution, an “Affiliate” of the Company means any person or entity which controls, is controlled by, or is under common control with, the Company, as shown by the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through majority equity ownership, contract or otherwise. An Affiliate shall also be a "participating party" as defined in the Act.

Section 2. The Authority hereby reinstates the Initial Resolution, and declares its official intent to issue, at one time or from time to time, an aggregate of up to \$22,990,000 principal amount (of which \$8,340,000 have previously issued, resulting in a remaining amount not to exceed \$14,450,000) of bonds of the Authority for the Project, including for the purpose of reimbursing to the Company for costs incurred prior to the issuance of the bonds.

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Section 3. Section 7 of the Initial Resolution is amended by replacing the date “April 26, 2008” with the date “August 27, 2011.”

Section 4. Except as set forth in Sections 2 and 3, all of the provisions of the Initial Resolution shall remain in full force and effect and are hereby ratified and confirmed. This Amendment shall take effect upon its adoption.